

United States International Trade Commission

# **Probable Effect of Proposed Definitions for Certain Baby Socks**

Investigation No. 332-475  
USITC Publication 3880  
August 2006



# U.S. International Trade Commission

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# U.S. International Trade Commission

Washington, DC 20436

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## **Probable Effect of Proposed Definitions for Certain Baby Socks**

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**Publication 3880**

**August 2006**

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## **NOTICE**

**THIS REPORT IS A PUBLIC VERSION OF THE REPORT SUBMITTED TO USTR  
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# Executive Summary

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On May 26, 2006, the U.S. International Trade Commission (“Commission”) received a request from the United States Trade Representative (“USTR”) that the Commission provide advice as to the probable effect of a modification to the definition of baby socks on U.S. imports of the subject articles from China, on total U.S. imports of such products, and on U.S. baby sock producers. The USTR asked the Commission to consider the following two proposed definitions of the subject products for its analysis:

## Proposed Definition No. 1:

For purposes of heading 6111, babies’ booties are knitted or crocheted foot coverings without an applied sole glued, sewn or otherwise affixed to the upper. These articles have bulky embellishments, such as rattles or other attachments, which preclude wearing inside of footwear.

## Proposed Definition No. 2:

For purposes of heading 6111, babies’ booties are knitted or crocheted foot coverings without an applied sole glued, sewn or otherwise affixed to the uppers. These articles have embellishments, such as rattles, lace, appliqués, skid-proofing or kick-proofing properties.

In his letter, the USTR noted that the *Memorandum of Understanding Between the Governments of the United States of America and the People’s Republic of China Concerning Trade in Textile and Apparel Products* (MOU), which became effective January 1, 2006, establishes annual quantitative restraints on U.S. imports of certain textiles and apparel originating in China through 2008, and that a question has arisen as to whether or not the subject articles are subject to the quantitative restraints. At the USTR’s request, this report analyzes the probable effects of the removal of certain baby socks and booties, defined above, from the quota on imports of hosiery (category 332/432/632).

The Commission’s analysis indicates that removal of baby socks and booties provided for in Proposed Definition Number 1 (BSB 1) from the quota would likely have a negligible effect on the level of U.S. imports from China, on total U.S. imports, and on domestic producers of baby socks and booties. The Commission has found no evidence of U.S. production of BSB 1. U.S. importers of baby socks and booties stated that BSB 1 accounted for a small part of their total line of baby socks and booties.

With respect to Proposed Definition Number 2 (BSB 2), there may be some adverse impact on U.S. imports from China, total U.S. imports, and U.S. producers. However, owing to the short time that the quota has been in effect, and incomplete data to fully assess the trends, it is difficult to assess the full effect of removing from the quota baby socks and booties as provided for in BSB 2. Based on the information available to date, it appears that the quota has had some disruptive effect on U.S. imports of baby socks and booties from China during 2006, despite the low utilization rate of the current quota to date. Reportedly, the 2006 quota was allocated to individual Chinese firms by the Government of China and covered manufacturers of all types of hosiery, including children’s and adult socks. Some importers indicated that their manufacturers in China did not obtain enough quota from the quota allocation process for the importers to meet contractual obligations with major retail accounts. Many of the largest importers reportedly either procured additional quota early in

the year, when quota costs were at their highest, and/or switched their sourcing to higher cost suppliers.

There is evidence that some of the increased costs associated with the quota have been passed on to the retailers, particularly starting in the second half of 2006. To the extent that any increased costs associated with the quota are passed on to the retailers, it is possible that the removal of the subject articles from the quota could result in declining import prices and an increase in the total volume of U.S. imports. Such an increase in total U.S. imports of BSB 2 could result in an adverse effect on U.S. producers of such products, particularly small contract sock knitters, \*\*\*. While BSB 2 accounts for a relatively small share (an estimated 10 percent) of domestic production of baby socks and booties, BSB 2 are mostly sold to retailers as part of an assortment that includes other baby socks. Hence, a domestic loss in sales of BSB 2 would likely also affect sales of other baby socks.

# CHAPTER 1

## Introduction

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### Purpose and Approach of the Report

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The Commission analyzed the probable effects of removing certain baby socks and booties from the quota on imports from China of hosiery (category 332/432/632).<sup>1</sup> This quota was established in the *Memorandum of Understanding Between the Governments of the United States of America and the People's Republic of China Concerning Trade in Textile and Apparel Products* (MOU), which became effective January 1, 2006. Specifically, the Commission analyzed the probable effects on U.S. imports of the subject articles from China, on total U.S. imports of such products, and on U.S. producers of the subject products for each of the two proposed definitions:

#### Proposed Definition Number 1:

For purposes of heading 6111, babies' booties are knitted or crocheted foot coverings without an applied sole glued, sewn or otherwise affixed to the upper. These articles have bulky embellishments, such as rattles or other attachments, which preclude wearing inside of footwear.

#### Proposed Definition Number 2:

For purposes of heading 6111, babies' booties are knitted or crocheted foot coverings without an applied sole glued, sewn or otherwise affixed to the upper. These articles have embellishments, such as rattles, lace, appliqués, skid-proofing or kick-proofing properties.

The baby socks and booties covered by Proposed Definition Number 1 (BSB 1) are adorned with bulky decorations, such as rattles or small plush toys, which prevent babies from wearing the booties inside of footwear. The baby socks and booties covered by Proposed Definition Number 2 (BSB 2) include, not only the baby socks and booties covered by BSB 1, but also those adorned with other types of decorative or practical additions, including but not limited to, lace, appliqués, logos, bows, rattles, and skid-proofing.<sup>2</sup> This report assumes that skid-proofing alone does not preclude wearing the article inside footwear.

The MOU with China established annual quotas through 2008 on U.S. imports of certain textile and apparel products originating in China (see text box). One such quota covers category 332/432/632 (hosiery of cotton, wool, and manmade fibers), which includes women's, men's, and children's socks, and baby socks and booties, including BSB 1 and BSB 2. Prior to the MOU, U.S. imports of hosiery from China (including socks for all persons other than infants) had been subject to two successive quantitative restraints. Baby

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<sup>1</sup> This investigation was initiated by a letter of request from the USTR dated May 25, 2006. A copy of the USTR letter is in Appendix A of this report; the Commission's notice of institution, published in the *Federal Register* of June 9, 2006, is in Appendix B.

<sup>2</sup> BSB 1 and BSB 2 are subsets of "baby socks and booties," the term used in this report to refer to all baby socks and booties.

socks and booties from China were not included in these limits and entered quota free into the United States until January 1, 2006, when the MOU with China went into effect. (See text box on the following page for a time line of the safeguard limits and the quota on baby socks and booties, including BSB 1 and BSB 2.)

The Commission used qualitative analysis to assess the probable effects of modified definitions of certain baby socks and booties on U.S. imports from China, total U.S. imports, and U.S. producers. Because official data on baby socks and booties are lacking, the Commission's analysis was based on data and other information obtained from site visits; in-person and telephone interviews of U.S. producers, importers, and retailers of baby socks and booties; and the views of interested parties, as presented in written submissions to the Commission.<sup>3</sup>

## **Product Scope**

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The terms “baby socks” and “booties” are used interchangeably in the U.S. retail market and by the U.S. industry, the trade community, and U.S. Customs and Border Protection (CBP), U.S. Department of Homeland Security. BSB 1 and BSB 2 are subsets of the larger universe of baby socks and booties that would generally be described as soft knitted or crocheted foot coverings without an applied sole glued, sewn, or otherwise affixed to the upper.<sup>4</sup> Most baby socks and booties, including BSB 1 and BSB 2, are classified in HTS statistical reporting numbers 6111.20.6050, 6111.30.5050, and 6111.90.5050, which provide for baby socks and booties of cotton, synthetic, and artificial fibers, respectively.<sup>5</sup> Such articles have *ad valorem* Normal Trade Relations (NTR) rates of duty of 14.9, 16.0, and, 14.9 percent, respectively in 2006. The HTS states that for the purposes of heading 6111, the term “babies’ garments and clothing accessories,” refers to articles for babies or young children up to and including 86 centimeters (approximately 33.8 inches) in height. A CBP official stated that, when classifying baby socks and booties, CBP also uses age in months (newborn to 24 months) and sock sizes (up to 5 ½) as classification criteria,<sup>6</sup> reflecting goods suitable for babies of the HTS-specified height. However, trade and industry sources suggested that the upper threshold of baby socks and booties could go as high as 36 months of age. For the purpose of this report, the term “embellishments” in the proposed definitions refers to the rattles, small plush toys, lace, bows, appliqués, skid-proofing, and any other types of ornamentation attached to the baby socks and booties.

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<sup>3</sup> The Commission did not conduct a public hearing for this investigation because of time limitations. A summary of written submissions is provided in chapter 5 of this report.

<sup>4</sup> Knitted or crocheted foot coverings having an applied sole glued, sewn, or otherwise affixed to the upper are classified as footwear in chapter 64 of the HTS.

<sup>5</sup> See Appendix C of this report for copies of pages from the HTS containing these HTS statistical reporting numbers.

<sup>6</sup> National Import Specialist (NIS), U.S. Customs and Border Protection (CBP), U.S. Department of Homeland Security, telephone interview by Commission staff, July 8, 2006.

**Box 1-1 U.S. Import Restraints on Baby Socks and Booties from China—Time Line of Events**

- 1998: Quotas on U.S. imports of category 239 (babies' garments and clothing accessories), including baby socks and booties, were removed from all WTO member countries under the WTO Agreement on Textiles and Clothing.<sup>1</sup>
- 2001: U.S. imports of babies' garments and accessories (category 239), including baby socks and booties, from China became quota free as part of China's accession to the WTO.
- October 29, 2004–October 28, 2005: Textile safeguard limits were placed on imports from China of category 332/432/632 (cotton, wool, and man-made fiber men's, women's, and children's socks, not including baby socks and booties).<sup>2</sup> This safeguard limit of 42,433,990 dozen pairs filled in less than 7 months.<sup>3</sup>
- November 2, 2005: The United States and China reached an agreement to create a quota for category 332/432/632 (not including baby socks and booties) to be in effect November 4, 2005–December 31, 2005.<sup>4</sup> This quota of 10,298,023 dozen pairs filled by November 30, 2005.<sup>5</sup>
- November 8, 2005: The United States and China concluded a bilateral MOU, effective January 1, 2006, establishing quotas on U.S. imports of Chinese goods. For the first time, baby socks and booties were included within the quota for category 332/432/632. The MOU establishes quotas through 2008.<sup>6</sup> As of August 19, 2006, the quota covering category 332/432/632 of 64,386,841 dozen pairs for 2006 is 45.4 percent filled for the calendar year.<sup>7</sup>
- January–June 2006: Baby socks and booties accounted for approximately 18 percent of the total quantity of U.S. imports of socks and hosiery covered by the quota on category 332/432/632.<sup>8</sup>

<sup>1</sup> U.S. Department of Commerce, International Trade Administration (ITA), Office of Textiles and Apparel (OTEXA), Committee for the Implementation of Textiles Agreements (CITA), "Final List of Products for Second, Third and Final Phase Integration."

<sup>2</sup> U.S. Department of Commerce, ITA, OTEXA, CITA, "Announcement of Request for Bilateral Textile Consultations."

<sup>3</sup> U.S. Department of Homeland Security, U.S. Customs and Border Protection (CBP), *2005 Year-end Textile Status Report*.

<sup>4</sup> United States Trade Representative (USTR), "Statement by USTR Special Textile Negotiator David Spooner Regarding Quotas on Chinese Socks."

<sup>5</sup> U.S. Department of Homeland Security, CBP, *2005 Year-end Textile Status Report*.

<sup>6</sup> USTR, "Memorandum of Understanding Between the Governments of the United States of America and the People's Republic of China Concerning Trade in Textile and Apparel Products."

<sup>7</sup> U.S. Department of Homeland Security, CBP, *Daily Textile Status Report for Absolute Quotas*.

<sup>8</sup>The percentage figure calculated using official import data of the U.S. Department of Commerce.

## Production Process

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The baby socks and booties subject to this investigation are generally knit to shape on cylindrical machinery designed specifically for the production of smaller sized socks.<sup>7</sup> Sock size is determined by the diameter of the cylinder, with typical machines knitting baby socks and booties ranging in diameter from 2½ to 3¼ inches. Thus, smaller machines can only produce baby socks and booties. Some of these machines have double cylinders, which enable the machines to knit socks with textured patterns. Circular knitting machines used to produce baby socks and booties have needle counts ranging from 76 to as high as 132, about the circumference of the knitting cylinder. The higher the needle count, the sharper and more intricate the patterns that can be knit into the sock. Higher needle counts also result in tighter knit socks and booties. Older sock knitting machines knit opened toe socks that need to be closed by hand. Newer machines have seamless toe closing technology, which closes the toe automatically on the same machine. Industry sources indicate that for baby socks and booties in particular, manufacturers are moving toward seamless toe closing technology.

After knitting, the baby socks and booties are bleached and/or dyed. They are then boarded, which smooths the socks by stretching them over flat metal forms and then presses them between two heated surfaces, where they shrink and become smoother. For baby socks and booties, specially sized smaller forms are required for this process. After boarding, the basic socks and booties are ready to be embellished or packaged for retail. Some baby socks and booties are then embellished with a variety of different types of lace, rosettes, bows, appliqués, and skid-proofing. Special equipment is needed to heat-seal appliqués on and apply lace for purposes of embellishment. Prior to retail, the baby socks and booties are packaged in pairs ranging from single-pair packs to multi-pair bagged socks.

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<sup>7</sup> Baby booties made by cutting and sewing knit fabric would not be included in the scope of the proposed definitions. These booties would be classified as footwear in chapter 64 of the HTS as long as the sole of the bootie is a separate component, even though it is made of the same knit fabric as the rest of the bootie. Information provided by NIS, CBP, e-mail to Commission staff, August 8, 2006.

# CHAPTER 2

## U.S. Industry and Imports

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### U.S. Industry<sup>1</sup>

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#### *Structure of the industry*

The domestic industry making baby socks and booties consists of two large companies, Kentucky Derby Hosiery Co., Inc. (KDH), owned by Gildan Activewear, Inc.,<sup>2</sup> and Prewett Associated Mills, Inc. (Prewett); as well as several smaller manufacturers. \*\*\* The two companies account for an estimated \*\*\* of domestic sales of all types of baby socks and booties. \*\*\*

\*\*\* A few smaller producers sell some socks directly to retailers, as well as through distributors. In total, the domestic industry employs an estimated 950 - 1,000 workers related to the production of baby socks and booties.

#### *Domestic production*

##### **All types of baby socks and booties**

Domestic production of all types of baby socks and booties, including BSB 1, BSB 2, as well as plain socks and socks with knit-in designs, totaled 11.4 million dozen pairs in 2005,<sup>3</sup> accounting for 7.8 percent of total domestic sock production (see table 2-1). Virtually all domestically produced baby socks and booties are made of cotton (95.8 percent of the total in 2005); the remainder are made of manmade fibers (3.3 percent) or wool (0.8 percent). The quantity of domestically produced baby socks and booties remained relatively stable from 2004 to 2005, declining by less than 1 percent over the period. However, the value of U.S. shipments of baby socks and booties fell 10.4 percent from 2004 to 2005. According to U.S.

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<sup>1</sup> Unless otherwise noted, information in the U.S. Industry section is based on Commission staff plant visits and interviews with officials of the following companies: Kentucky Derby Hosiery Co. (KDH), Mount Airy, NC, and Hillsville, VA, June 21, 2006; Prewett Associated Mills, Inc., Fort Payne, AL, June 22-23, 2006; W.Y. Shugart Co., Fort Payne, AL, June 23, 2006; and Neat Feet, Fort Payne, AL, June 22, 2006; telephone interviews with officials of Huitt Mills, July 10, 2006, and Shankles Hosiery, Inc., July 11, 2006; and written submissions to the Commission in connection with this investigation.

<sup>2</sup> Gildan Activewear, Inc., a Canadian manufacturer of T-shirts, sport shirts and athletic shirts, recently announced its acquisition of KDH. Gildan Activewear Inc., "Gildan Announces Closing of Acquisition of Kentucky Derby Hosiery." KDH indicated that it intends to continue domestic production of baby socks and booties in the United States. Bill Nichol (KDH), e-mail message to Commission staff, July 24, 2006.

<sup>3</sup> U.S. Department of Commerce, Economics and Statistics Administration, U.S. Census Bureau, Current Industrial Report, *Socks Production 2005*, MQ315A(05)-S.

**Table 2-1** Baby socks and booties: Estimated U.S. production, and share of total production, by type, 2005

Description	Quantity of total baby socks and booties	Estimated share of total U.S. production of baby socks and booties
	1,000 dozen pairs	Percent
Total baby socks and booties . . . . .	11,357	100
BSB 1 <sup>a</sup> . . . . .	( <sup>b</sup> )	( <sup>b</sup> )
BSB 2 <sup>a</sup> . . . . .	1,100	10
BSB 2 plus plain socks sold in multi-packs containing BSB 2 . . . . .	2,800	25
Socks with knit-in designs, plus plain socks sold in multi-packs containing socks with knit-in designs <sup>c</sup> . . . . .	1,100-1,700	10-15

Source: Data on total production of baby socks and booties based on U.S. Census data. Data on production by type of sock or packaging based on ITC staff interviews with industry sources and submissions by industry members.

<sup>a</sup>Skid-proof embellishments are not considered to preclude wearing footwear.

<sup>b</sup>Estimated to be little or no production meeting this definition. Any production would account for less than 0.5 percent.

<sup>c</sup>Does not include BSB 2.

industry officials, the decline in value was the result of a decline in prices, as domestic manufacturers lowered prices in an attempt to remain competitive with imports. \*\*\*

U.S. companies report they have lost business to imports, primarily from China, because of lower prices. In addition, market prices have been depressed even further, reportedly due to the buying practices of many retailers that are increasing their direct import programs and reducing or eliminating their reliance on distributors and their associated costs.

\*\*\* Historically, domestic sock producers relied on sales of baby socks and booties to even out their overall business; in the past, baby socks and booties had higher profit margins than those for adult socks, and the market for baby socks and booties is typically less cyclical.<sup>4</sup> The peak selling seasons for domestic production of baby socks are September through October, and January through February, following the back-to-school and holiday seasons, which would otherwise be slow times for the sock market.

\*\*\*5\*\*\*6\*\*\*7\*\*\*

## BSB 1 and BSB 2

Data are not publically available on domestic production of BSB 1 and BSB 2. However, based on information received from domestic industry representatives, Commission staff found no evidence of domestic production of BSB 1. \*\*\*

<sup>4</sup> According to industry sources, consumers reportedly will continue to purchase baby socks and booties, regardless of the state of the economy.

<sup>5</sup> \*\*\*

<sup>6</sup> \*\*\*

<sup>7</sup> \*\*\*

Domestic production of BSB 2 accounted for an estimated 10 percent of the total domestic production of all types of baby socks and booties, or about 1.1 million dozen pairs (table 2-1). \*\*\*<sup>8</sup> Most domestically produced BSB 2 are sold in multi-packs together with unembellished or plain socks.<sup>9</sup> The share of U.S. production of BSB 2, and plain socks sold in combination with BSB 2, is estimated to account for 25 percent of U.S. production of baby socks and booties, or about 2.8 million dozen pairs. Domestic producers consider socks that contain knit-in designs (such as a design of a truck) to substitute for an appliqué. Based on industry sources, an additional 10 to 15 percent of domestically produced baby socks have knit-in designs or are plain socks packaged in combination with socks with knit-in designs.

### ***Description of socks and booties made by the domestic industry***

Representatives of the domestic industry making baby socks and booties state that their competitive advantage lies in making high-volume, commodity-type socks. Domestic producers indicated that their proximity to the U.S. market allows them to replenish retailers on short notice. Domestic producers also make a large variety of embellished knit foot coverings that meet the definition of BSB 2 for the purposes of this study. The domestic industry, \*\*\* makes socks and booties with added embellishments that contain a variety of different types of lace, rosettes, bows, appliqués, and skid-proofing. \*\*\* The industry has invested in new equipment (see below) to produce socks and booties with knit-in designs that they consider substitutes to appliqués, and to produce a knit-in “lettuce-edge” that gives a scalloped decorative effect that might be used in place of lace. Many of the embellished socks have more than one type of decorative feature, such as both an appliqué and a “lettuce-edge” cuff.

Embellished socks reportedly cost more to produce than unembellished socks, due to the additional cost of material as well as the labor required in its application. \*\*\*

The socks knit by the domestic industry are both solid color and multi-colored using dyed yarns. Colored yarns are knit into sock patterns by newer machines with computerized design programs. Domestic knitters can design novelty baby socks with up to six colors and may include stripes or other motifs. Machines are capable of knitting a plain sock more quickly than a multi-colored, patterned sock. In response to consumer demand, the domestic industry has recently switched from using carded cotton yarn to mostly the more costly combed ring-spun yarn for its baby socks and booties. Combed ring-spun yarn has a softer feel, which is desired for baby socks and booties, than carded yarn. The industry also uses elastomeric yarn to provide the sock elasticity. Industry representatives report that the industry purchases most of its yarn from domestic sources, particularly \*\*\*. In some cases, domestic producers use particular colors as requested by retailers. \*\*\* However, most producers reported that they did not make socks to coordinate with branded apparel. \*\*\*

### ***Investment***

The Commission asked domestic producers to describe their investments in machinery and equipment dedicated to the production of baby socks and booties. \*\*\*

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<sup>8</sup> \*\*\*

<sup>9</sup> Reportedly, the retailers request for socks to be packaged in this manner to meet the desired price points. By packaging plain socks with embellished socks, the retailer is able to offer a fancier sock, but at a lower per unit price than if all the socks were embellished, or sold individually.

## U.S. Imports

U.S. imports of all baby socks and booties totaled 8.3 million dozen pairs and were valued at \$40.8 million in 2005 (tables 2-2 and 2-3).<sup>10</sup> However, these data, especially for China, are understated in 2005.<sup>11 \*\*\*12\*\*\*13</sup>

During January-June 2006, almost three-quarters of U.S. imports of all baby socks and booties consisted of these articles made of cotton; most of the remainder consisted of baby socks and booties of synthetic fibers (such as nylon and polyester). Of the imports during January-June 2006, less than 1 percent are believed to consist of BSB 1<sup>14</sup> and an estimated 40 to 50 percent of the total quantity of baby sock and bootie imports are believed to consist of BSB 2.<sup>15</sup> U.S. imports of BSB 2 during January-June 2006 are estimated to consist of between 2.8 and 3.5 million dozen pairs.

**Table 2-2** Baby socks and booties: U.S. imports for consumption, by principal sources, 2005, January-June 2005, and January-June 2006 (dozen pairs)

Source	2005	January-June	
		2005	2006
China . . . . .	4,658,254	1,346,029	5,167,871
South Korea . . . . .	2,538,418	1,217,488	1,141,764
Colombia . . . . .	249,525	124,784	130,894
Costa Rica . . . . .	178,626	109,880	127,366
Taiwan . . . . .	195,979	58,245	122,105
Indonesia . . . . .	11,440	1,585	100,570
India . . . . .	117,947	50,308	51,087
Thailand . . . . .	73,392	57,826	36,548
Pakistan . . . . .	38,510	19,820	30,548
Hong Kong . . . . .	1,646	621	29,491
All other . . . . .	284,762	85,917	58,408
Total . . . . .	8,348,499	3,072,503	6,996,652

Source: Compiled from official statistics of the U.S. Department of Commerce.

Note: Import data are based on HTS statistical reporting numbers 6111.20.6050, 6111.30.5050, and 6111.90.5050.

<sup>10</sup> The U.S. Department of Commerce began compiling data under the 3 new HTS statistical reporting numbers beginning in July 2004.

<sup>11</sup> China accounted for 74 percent of the total quantity of these imports in January-June 2006.

<sup>12</sup> \*\*\*

<sup>13</sup> U.S. Bureau of the Census reported that only one correction has been made in the classification of imports of baby socks and booties since 2005 and it did not involve imports from China.

<sup>14</sup> \*\*\*

<sup>15</sup> \*\*\*

**Table 2-3** Baby socks and booties: U.S. imports for consumption, by principal sources, 2005, January-June 2005, and January-June 2006 (in dollars)

Source	2005	January-June	
		2005	2006
China .....	18,864,680	5,592,363	18,412,785
South Korea .....	14,482,474	6,856,254	6,480,423
Colombia .....	2,009,167	995,126	1,247,477
Costa Rica .....	743,525	480,926	490,163
Taiwan .....	1,481,224	543,884	886,253
Indonesia .....	38,954	24,698	314,658
India .....	435,345	189,605	223,357
Thailand .....	384,532	270,387	343,204
Pakistan .....	87,170	44,063	76,800
Hong Kong .....	20,126	3,190	130,253
All other .....	2,208,750	874,190	492,531
<b>Total</b> .....	<b>40,755,947</b>	<b>15,874,605</b>	<b>29,097,904</b>

Source: Compiled from official statistics of the U.S. Department of Commerce.

Note: Import data are based on HTS statistical reporting numbers 6111.20.6050, 6111.30.5050, and 6111.90.5050.

Although the import data are likely understated, the data are indicative of the trend in imports of baby socks and booties that occurred during January-June 2006 compared with January-June 2005. U.S. imports of all baby socks and booties increased 128 percent in quantity terms during this period, reaching just under 7.0 million dozen pairs, while the value of these products increased 83 percent to \$29.1 million. U.S. imports from China totaled 5.2 million dozen pairs (\$18.4 million) during January-June 2006, making China the largest supplier, accounting for 74 percent of total U.S. imports of baby socks and booties in terms of quantity and 63 percent in terms of value. U.S. imports from South Korea totaled 1.1 million dozen pairs (\$6.5 million) during January-June 2006, making South Korea the second-largest foreign supplier of baby socks and booties. South Korea accounted for approximately 16 percent of the total quantity of U.S. imports and 22 percent of the total value of these products during January-June 2006.

The next largest foreign suppliers of baby socks and booties were Colombia, Costa Rica, and Taiwan, with each accounting for less than two percent of the total quantity of U.S. imports of these products during January-June 2006 (tables 2-2 and 2-3). \*\*\* Among the smaller suppliers, countries with notable export increases to the United States in January-June 2006 over January-June 2005 were Taiwan, Indonesia, Pakistan, and Hong Kong. In addition, industry and trade sources have reported a transfer of production from China to Cambodia.<sup>16</sup> Both \*\*\* stated that they are purchasing BSB 2 from Cambodia.<sup>17</sup> \*\*\* Both \*\*\* stated that production costs in Cambodia were \*\*\* higher than in China because of start-up costs, such as the shipping of machinery from China, the cost of importing inputs into Cambodia, and the poor infrastructure relative to that in China.

According to U.S. importers, China is the lowest-cost, quality, global supplier of baby socks and booties.<sup>18</sup> As shown in table 2-4, the average unit values of imports from China for baby socks and booties were among the lowest of the major foreign suppliers. During January-

<sup>16</sup> Official U.S. trade data through June 2006 do not show any U.S. imports of baby socks and booties from Cambodia. Trade sources indicated that their shipments to the United States will likely be reflected in the trade data for the second half of the year.

<sup>17</sup> \*\*\*

<sup>18</sup> \*\*\*

**Table 2-4** Baby socks and booties: Average unit values, by selected countries, 2005, and January-June 2005 and January-June 2006 (dollars per dozen pairs)

Source	2005	January-June	
		2005	2006
China	4.05	4.15	3.56
South Korea	5.71	5.63	5.68
Colombia	8.05	7.97	9.53
Costa Rica	4.16	4.38	3.85
Taiwan	7.56	9.34	7.26
Indonesia	3.41	15.58	3.13
India	3.69	3.77	4.37
Thailand	5.24	4.68	9.39
Pakistan	2.26	2.22	2.51
Hong Kong	12.23	5.01	4.42
All other	7.76	10.17	8.43
Total	4.88	5.17	4.16

Source: Compiled from official statistics of the U.S. Department of Commerce.

Note: Average unit values were calculated by dividing the landed duty-paid value for HTS statistical reporting numbers 6111.20.6050, 6111.30.5050, and 6111.90.5050 together, by the quantity of imports for these items.

June 2006, the average unit value of the imports from China were \$3.56 per dozen pairs, compared with \$5.68 per dozen pairs from South Korea and \$7.26 from Taiwan. A monthly analysis of the quantity of imports of these products from China during January-June 2006 indicates a rapid increase in imports of baby socks and booties in January and a slowdown in the level of imports during February-April before increasing again in May and June (see table 2-5). During January-June 2006, the average unit values of these imports from China rose from \$3.98 per dozen pairs in January to \$4.44 per dozen pairs in March, before declining each consecutive month to \$3.18 per dozen pairs in June.

China has replaced South Korea as the major U.S. import supplier of these products. The baby sock and bootie industry grew in China as production costs increased in South Korea, and after imports of these products became quota free when China acceded to the WTO in 2001. South Korea continues to be a major global supplier of baby socks and booties, primarily in the higher end market. South Korean producers have automated knitting machines that knit intricate designs into the socks and booties. China reportedly has low labor costs, a local supply of quality, yarn-dyed combed cotton yarn, and an abundant supply of locally produced embellishments, such as lace, bows, and appliques.<sup>19</sup> Because China has the industrial infrastructure in place, it has developed into the largest global producer of novelty or embellished baby socks and booties, including BSB 1 and BSB 2. In addition, China's baby sock and bootie industry is in proximity to China's major global producers of baby apparel. Therefore, China is the primary producer of BSB 1 and BSB 2 that coordinate with branded baby apparel and accessories, such as onesies, rompers, headwear, and bibs.<sup>20</sup>

<sup>19</sup> \*\*\*

<sup>20</sup> \*\*\*

**Table 2-5** Baby socks and booties: Quantity and average unit values of imports, by month, for China, January-June 2006

China	January	February	March	April	May	June
Dozen pairs . . . . .	1,882,000	291,690	429,528	507,825	1,121,728	935,100
Average unit value (dollars per dozen pair) . . .	3.98	4.25	4.44	4.38	4.36	3.18

Source: Compiled from official statistics of the U.S. Department of Commerce.

Note: Average unit values were calculated by dividing the landed duty-paid value for HTS statistical reporting numbers 6111.20.6050, 6111.30.5050, and 6111.90.5050 together, by the quantity of imports for these items.

### *U.S. Importers*

U.S. importers of baby socks and booties from China consist of such companies as Gold Bug, Inc., a distributor and merchandiser of baby socks, booties, and accessories; Paris Accessories, Inc., a distributor of a variety of apparel and apparel accessories; and Kellwood Company, a U.S. merchandiser of many types of apparel and the parent company of Gerber Childrenswear, an importer of baby socks and booties as well as other baby apparel. Other U.S. importers of baby socks and booties are \*\*\*<sup>21</sup>

Distributors of baby socks and booties, \*\*\*, are involved in the design of baby socks and booties, \*\*\*, and act as merchandisers for their customers by \*\*\*<sup>22</sup>\*\*\*<sup>23</sup>\*\*\*<sup>24</sup>\*\*\*

\*\*\*<sup>25</sup>

Paris Accessories, Inc., is a \*\*\* distributor and merchandiser of a variety of types of apparel and apparel accessories, including baby socks and booties, and scarves, headwear, and specialty apparel, such as hunting vests. Paris imports virtually all of its baby socks and booties, consisting largely of BSB 2.<sup>26</sup>

### *U.S. Quotas and Quota Costs*

As noted in chapter 1 of this report, the MOU negotiated between the United States and China, effective January 1, 2006, placed baby socks and booties under quota for the first time. U.S. importers stated that they were caught by surprise in November of 2005 when the MOU was made public.<sup>27</sup> Reportedly, the quota was allocated to individual firms and covered manufacturers of all types of hosiery, including children's and adult socks, as well as baby socks and booties. Some importers indicated that their manufacturers in China did not obtain enough quota from the allocation process for the importers to meet their contractual obligations with their major retail accounts. Because of the uncertainty in the market, many of the largest importers reportedly either procured additional quota early in the year, when quota costs were at their highest, and/or switched their sourcing to higher cost

<sup>21</sup> \*\*\*

<sup>22</sup> \*\*\*

<sup>23</sup> \*\*\*

<sup>24</sup> \*\*\*

<sup>25</sup> \*\*\*

<sup>26</sup> Representative (Paris Accessories, Inc.), telephone interview by Commission staff, August 3, 2006.

<sup>27</sup> \*\*\*

suppliers, including South Korea, Taiwan and Cambodia. \*\*\*<sup>28</sup> Gold Bug also states in its submission to the Commission that direct quota costs, as well as the costs of added paperwork and uncertainty with respect to the quota, and the cost of moving production to nonquota countries because of the quota, are “borne, in varying degrees, by U.S. companies such as Gold Bug, retailers, and ultimately, U.S. consumers.”<sup>29</sup> \*\*\*<sup>30</sup>\*\*\*<sup>31</sup>\*\*\*

Industry sources stated that the initial public announcement of the sock quota caused uncertainty in the market, causing an increase in demand for quota. \*\*\*<sup>32</sup>\*\*\*<sup>33</sup> Chinaquota, a company in China that tracks quota costs on many different apparel items, indicates that the average price of the quota on all socks dropped about 80 percent from January to August 2006 (see table 2-6). The sock quota is allocated for total socks rather than differentiating between, for example, baby socks and adult socks.

**Table 2-6** China sock quota price, January to August 2006

Date	Average price per dozen pair (in dollars)
January .....	1.80
February .....	1.65
March .....	1.36
April .....	1.30
May .....	1.08
June .....	.90
July .....	.77
August .....	.34

Source: Chinaquota.com found at <http://www.chinaquota.com/en/cpsys/qcheck.asp>, accessed August 21, 2006.

<sup>28</sup> \*\*\*

<sup>29</sup> Gold Bug Inc., written submission to the Commission, July 5, 2006, 3.

<sup>30</sup> \*\*\*

<sup>31</sup> \*\*\*

<sup>32</sup> \*\*\*

<sup>33</sup> \*\*\*

# CHAPTER 3

## Market Conditions

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### Market size

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The size of the U.S. wholesale market for baby socks and booties is estimated to be approximately \$150 million.<sup>1</sup> Based on official U.S. data for the first quarter of 2006, it is estimated that imports account for about 55 to 60 percent of the U.S. market.<sup>2</sup> An estimated one-quarter of the baby socks and booties now sold in the U.S. market are embellished and would fall under Proposed Definition Number 2 (BSB 2), and less than one percent are estimated to fall under Proposed Definition Number 1 (BSB 1). Imports supply a larger share of the total U.S. market for BSB 1 and BSB 2 than U.S. production. There is no known domestic production of BSB 1. Imports of BSB 1 are estimated to account for less than one percent<sup>3</sup> of total imports of baby socks and booties. Domestically produced BSB 2 are estimated to account for about 10 percent of all types of domestically produced baby socks and booties,<sup>4</sup> while imports of BSB 2 account for an estimated 40 to 50 percent of U.S. imports of all types of baby socks and booties.<sup>5</sup>

### Market trends

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Demand for baby socks and booties has remained relatively stable in the U.S. market and tends to track the U.S. birth rate.<sup>6</sup> Industry sources indicated that demand for baby socks and booties does not change with fluctuations in the economy. However, demand for embellished baby socks and booties,<sup>7</sup> especially those intended to be used as gift items, has increased over the past 10 years.<sup>8</sup> Industry sources indicated that the current trend favors embellished baby socks and booties, particularly those with skid-proofing, knit-ins,<sup>9</sup> and appliqués.<sup>10</sup> Embellished baby socks and booties include a broad product spectrum ranging from comparatively lower-cost products with skid-proofing to comparatively higher-cost products with lace, appliqués, and skid-proofing. A majority of the embellished baby socks and booties sold in the U.S. retail market feature skid-proofing, while other embellishments such

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<sup>1</sup> Baby socks and booties include all types, including those that do not fall under either of the proposed definitions. Estimated by Commission staff based on Commission staff interviews with \*\*\* and U.S. Department of Commerce, Economics and Statistics Administration, U.S. Census Bureau, Current Industrial Report, Socks Production: 2005, MQ315A(05)-S.

<sup>2</sup> In the first quarter of 2006, U.S. imports totaled 3.4 million dozen (\$16.0 million) and domestic production totaled 2.4 million dozen (shipments totaled \$12.1 million). Based on official data of the U.S. Department of Commerce.

<sup>3</sup> This calculation is based on the assumption that the application of skid-proofing alone does not preclude wearing the article inside of footwear.

<sup>4</sup> See chapter 2, Domestic Production.

<sup>5</sup> See chapter 2, U.S. Imports.

<sup>6</sup> \*\*\*

<sup>7</sup> For the purposes of this chapter, embellished socks include BSB 1 and BSB 2.

<sup>8</sup> \*\*\*

<sup>9</sup> Knit-ins are designs created through the use of knitting different colored yarns during the actual knitting of the sock.

<sup>10</sup> \*\*\*

as lace, appliqués, or kick-proofing are less common. Skid-proofing is applied to the product for branding purposes or to add value to the product, despite the fact that many of the subject goods are intended for infants of pre-walking age. The more sophisticated the embellishment, the higher the cost of production and, thus, the higher the retail price.

Baby socks and booties embellished with bulky embellishments<sup>11</sup> such as rattles are uncommon and account for less than one percent of the retail market, in part due to potential safety risks.<sup>12</sup>

## **Retail market composition**

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The U.S. retail market for baby socks and booties is concentrated among a few, generally low-cost, retail suppliers including Wal-Mart, Target, K-Mart,<sup>13</sup> JCPenney Company, Kohl's, Family Dollar Store, and other regional and/or specialty retailers.<sup>14</sup> \*\*\*<sup>15</sup>\*\*\*<sup>16</sup>\*\*\*<sup>17</sup>

The strong market presence of the large retailers reportedly enables them to influence market prices.<sup>18</sup> Industry sources indicate that some baby sock and bootie programs are sold through a bidding process where the retailer sets the parameters of the sale, including price, product description, packaging, and quantity. In such instances, suppliers bid on the contract based on either the product line or a specified area of retail space. The relationship between producers and retailers requires a large up front investment by both parties. Sources stated that a supplier may negotiate with a retailer for 6 to 9 months over product design, quality, and availability prior to establishing a licensed product. Industry sources indicated that once a supplier has been selected, both parties aim to maintain the relationship. According to U.S. producers and importers, retailer accounts procure purchase orders on average twice per year for baby socks and booties, often 6 to 9 months in advance of the shipments. The purchase orders set the price of the baby socks and booties, but the volume may be adjusted according to retailer demand.

## **Product packaging and sales**

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Wholesale vendors and producers of baby socks and booties often sell and distribute an entire program (or product line) of baby socks and booties, including baby socks and booties of several different varieties, both embellished and unembellished, to retailers. Domestic producers of baby socks and booties stated that their competitive advantage lies in the production of basic (unembellished) baby socks and booties. Domestic producers further stated that they are producing embellished socks and booties, such as those with lace, skid-

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<sup>11</sup> These baby socks and booties would fall under Proposed Definition 1.

<sup>12</sup> \*\*\*

<sup>13</sup> Owned by Sears Holdings Corporation.

<sup>14</sup> \*\*\*

<sup>15</sup> \*\*\*

<sup>16</sup> \*\*\*

<sup>17</sup> \*\*\*

<sup>18</sup> Unless otherwise noted, information in this paragraph is based on Commission staff plant visits and interviews with officials of the following companies: \*\*\*

proofing, or appliqués, \*\*\*<sup>19</sup>\*\*\* The vendor must be able to provide a program of baby socks and booties, often referred to as a “plan-o-gram,” which will occupy a retail space of 2.5 to 16 feet. The supplier will monitor sales numbers in order to replenish supplies within the agreed-upon space over an agreed-upon period of time. BSB 1 are generally sold individually, while BSB 2 are often in multi-packs containing unembellished baby socks and booties in an effort to lower the retail price point. Embellished baby socks and booties packaged individually as gift items may retail for a price per pair that is several times higher than that of embellished baby socks and booties packaged in multi-packs.<sup>20</sup> Generally, baby socks and booties are packaged in 2 to 10 pairs per package. Embellished baby socks and booties are also packaged in sets along with other articles of baby clothing-such as pajamas or “onesies.”<sup>21</sup>

## Product pricing

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Anecdotal evidence suggests that wholesale prices for both plain and embellished baby socks and booties have declined in recent years. \*\*\*<sup>22</sup> Price data obtained by Commission staff suggest that the domestic price for both embellished and basic, unembellished baby socks and booties generally exceed prices for comparable imported baby socks and booties. \*\*\*<sup>23</sup>\*\*\*<sup>24</sup>\*\*\*<sup>25</sup>\*\*\*<sup>26</sup> Both domestic producers and importers indicated that the cost of embellishment varies considerably, from a relatively low-cost addition of skid-proofing to a relatively high-cost addition of lace or appliqués. The price is based on the additional marginal cost of the material and, more importantly, especially for domestic producers, the additional cost of labor.

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<sup>19</sup> Unless otherwise noted, information in this paragraph is based on Commission staff plant visits and interviews with officials of the following companies: \*\*\*

<sup>20</sup> \*\*\*

<sup>21</sup> Importers and U.S. Customs officials stated that baby booties packaged within a set are not classified under the three HTS statistical reporting numbers for baby socks and booties and thus do not count against the quota.

<sup>22</sup> \*\*\*

<sup>23</sup> \*\*\*

<sup>24</sup> \*\*\*

<sup>25</sup> \*\*\*

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# CHAPTER 4

## Findings

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### BSB 1

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The Commission's analysis indicates that removal of BSB 1 from the quota would likely have a negligible effect on the level of U.S. imports of baby socks and booties from China, on total U.S. imports of baby socks and booties, and on domestic producers of baby socks and booties.<sup>1</sup> The products imported under this definition consist largely of baby socks and booties made with embellishments, such as rattles or other bulky attachments, that preclude wearing them inside of footwear. Industry sources report that there is no U.S. production of such products and these products may be perceived by the consumer more as a toy than a foot covering worn for warmth or to keep the infants' feet clean.<sup>2</sup> U.S. importers of baby socks and booties stated that BSB 1 accounted for a small part of their total line of baby socks and booties.<sup>3</sup>

### BSB 2

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It is difficult to assess the full effect of the quota on U.S. imports of BSB 2 because the quota has been in place for less than one year. The 2006 quota has been utilized at a slower rate than under the safeguard limits on socks for the prior year (see chapter 1, text box).<sup>4</sup> U.S. imports of baby socks and booties from China continued to increase compared with 2005, when they were not subject to any quantitative restrictions. Nevertheless, based on anecdotal evidence, it appears that the quota did have some disruptive effect on U.S. imports of baby socks and booties from China for 2006. Some importers indicated that their manufacturers in China did not obtain enough quota from the allocation process for the importers to meet their contractual obligations with their major retail accounts. Because of the uncertainty in the market, many of the largest importers reportedly either procured additional quota early in the year, when quota costs were at their highest, and/or switched their sourcing to higher cost suppliers, including South Korea, Taiwan, and Cambodia.

Based on the information available to date, the Commission's analysis indicates that the removal of quota on BSB 2 are likely to result in increased imports from China, and possibly some increase in total U.S. imports of such products.<sup>5</sup> If the quota is removed from BSB 2, imports from China are likely to increase as many U.S. importers that switched to sourcing some or all of their baby socks and booties from other foreign suppliers will return to sourcing BSB 2 from China, which would not affect total U.S. imports. However, to the extent that any increased costs associated with the quota are passed on, it is possible that the

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<sup>1</sup> See page 1-3 for a description of the types of baby socks and booties included in Proposed Definition Number 1 and Proposed Definition Number 2.

<sup>2</sup> U.S. Customs and Border Protection (CBP) reclassified this type of foot covering from toys classified in HTS chapter 95 to baby socks and booties classified in chapter 61 of the HTS, effective March 2006.

<sup>3</sup> \*\*\*

<sup>4</sup> As of August 19, 2006, the 2006 quota had a fill rate of 45.4 percent. By contrast, the safeguard on hosiery in place from October 29, 2004 to October 28, 2005 (not including baby socks) filled in less than 7 months.

<sup>5</sup> It is not possible to quantify any absolute increase in imports because of insufficient data.

removal of the subject articles from the quota could result in declining import prices and an increase in the total volume of U.S. imports.

There is evidence that some of the increased costs associated with purchasing the quota or changing suppliers have been passed on to retailers and consumers. \*\*\*<sup>6</sup>\*\*\*

Owing to the short time that the quota has been in effect and incomplete data to fully assess the trends, it is difficult to determine the degree of any effect of removing the subject products from quota. Based on the information available to date, the Commission's analysis indicates that to the extent there is any increase in total U.S. imports of BSB 2, it is possible there could be an adverse effect on U.S. producers of such products, particularly contract sock knitters, \*\*\* While BSB 2 accounts for a relatively small share (an estimated 10 percent) of domestic production of baby socks and booties, BSB 2 are mostly sold to retailers as part of an assortment that includes other baby socks. Hence, any domestic loss in sales of BSB 2 would likely also affect sales of other baby socks.

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<sup>6</sup> It appears that there has been a lag for any effect the quota may have had on prices. According to U.S. producers and importers, retailer accounts procure purchase orders on average twice per year for baby socks and booties, often 6 to 9 months in advance of the shipments. The purchase orders set the price of the baby socks and booties, but the volume may be adjusted according to retailer demand.

# CHAPTER 5

## Position of Interested Parties

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This chapter summarizes the written statements of interested parties submitted to the Commission in connection to the investigation.

### **American Apparel & Footwear Association<sup>1</sup>**

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The American Apparel & Footwear Association (AAFA) states that it is a national trade organization representing firms that produce and market apparel and footwear both in the United States and abroad, as well as their suppliers. It states that several of its members have taken a particular interest in the probable economic effect of the proposed definitions of certain baby socks. The AAFA asserts that baby socks were included late in the negotiations of the U.S.-China Memorandum of Understanding (MOU) that established import restraints on certain textile and apparel items and which entered into force in January 2006. AAFA notes, that although the MOU does not mention “booties,” it mentions three Harmonized Tariff Schedule (HTS) numbers which cover “baby socks and booties.” AAFA asserts that the inclusion of these products in the MOU has caused confusion and has adversely affected several AAFA members by creating “enormous and unforeseen quota costs and caused tremendous uncertainty and disruption.”

AAFA states that the inclusion of baby socks and booties took the industry by surprise and that neither baby socks nor booties were identified in any previous safeguard petition or action that covered socks. AAFA says that infant socks are the only infant category included in the MOU. AAFA also notes that infant socks are included as part of the quota covering adult socks even though infant apparel products have been governed by separate quotas, including those with respect to China, for more than 20 years. AAFA states that the last-minute inclusion of baby socks in the MOU and the co-mingling of adult and baby socks in an unprecedented single quota have created large and unforeseen quota costs and have caused uncertainty and disruption for companies in the industry.

In noting the two proposed definitions for booties that would enable them to be exempted from the sock quota, AAFA expresses support for Proposed Definition Number 2 with additional elaborations that identify other features that are not associated with domestic production, such as two-ply folded cuffs. AAFA states that Proposed Definition Number 1 is ambiguous whereas the second definition is more precise and more closely matches booties that are imported and not available domestically. AAFA explains that domestically made articles tend to be basic crew socks that have no or only rudimentary designs and features and do not contain embellishments such as appliqués. AAFA also explains that in general, there has been little U.S. production of infant socks and booties and that is why they were included in the early stages of integration for the phase out of the quota system.

AAFA recommends adopting the second definition for booties, which it considers workable and states that exempting these products from quota ensures that the MOU does not restrict goods that are no longer produced domestically. AAFA adds that many similar products such as "cut and sew booties" are not under quota and that knit booties and baby socks are not

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<sup>1</sup> Kevin M. Burke, American Apparel and Footwear Association (AAFA), written submission to the Commission, July 11, 2006.

under quota from any country other than China. AAFA further notes that in some countries, such as Mexico, knit booties and baby socks may be imported free of duty. AAFA states that adopting the second definition would have a negligible adverse impact on the domestic industry.

## **Gold Bug, Inc.<sup>2</sup>**

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Gold Bug, Inc. states that it is a 37-year old family-founded and operated designer and distributor of baby socks, booties, and accessories. Gold Bug states that it supports the broadest, most expansive definition of the term “babies’ booties” so they may be excluded from the quota on socks from China. Gold Bug agrees that baby booties and baby socks need to be distinguished because the Memorandum of Understanding between the United States and China provides for a quota on baby socks but not baby booties, whereas the Harmonized Tariff Schedule combines baby socks and baby booties at the ten-digit level.

Gold Bug notes that many definitions of booties describe a garment that is more like a shoe, and that footwear, which includes articles with an applied sole, are not relevant to the discussion. Gold Bug states that within the industry, the term “bootie” describes sock-like articles for infants and that Prewett Associated Mills, one of the largest remaining U.S. sock producers, describes booties as “soft, fluffy knitted foot coverings for infants and children of pre-walking ages.” Gold Bug states that the ITC and the sock industry understand the distinction between socks and booties as evidenced in the HTS provisions which categorize such articles as “socks and booties.”

Gold Bug explains that the United States established category 239 in the late 1980s to provide separate quota treatment for infant garments. Because infant garments were determined to be among the least import-sensitive textile and apparel items, quota restraints on such products for nearly all suppliers were removed in 1998. Gold Bug also notes that the 2004 petition to impose the textile safeguard on imports of adult socks and subsequent petitions to re-impose the safeguard focused solely on adult socks. Gold Bug asserts that the infant sock business is not of high priority to U.S. sock producers whereas companies such as Gold Bug focus only on the infant market.

Gold Bug states that the U.S. market for babies’ socks and booties contains a variety of styles and that product differentiation is based largely on decorations and embellishments that include lace, embroidery, appliqués, skid-proofing, kick-proofing, and larger embellishments such as rattles. The market also includes plain crew and bobby socks that are similar to adult socks except for size. Gold Bug notes that decorations and embellishments involve special equipment and specialized, highly skilled workers. Appliqués are “glued and sewn directly into the garment,” and skid-proofing requires special machinery and is labor intensive as each sock must be inserted separately into a rotary screen printing machine. Consequently, Gold Bug views them as a different class of merchandise, which are sold at different price points.

Gold Bug asserts that U.S. manufacturers of baby socks make, almost exclusively, plain crew socks and bobby socks for babies and that basic crew socks resemble adult socks in all respects except size. Consequently, Gold Bug believes that the proper definition for booties should include any knitted foot covering (other than goods classified in HTS Chapter 64)

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<sup>2</sup> Katherine Gold and William Gold, Gold Bug, Inc., written submission to the Commission, July 5, 2006.

that includes any type of embellishment and states that definition 2 is preferable. Gold Bug also notes that the terms used in definition 1 such as “bulky embellishments” are problematic because they would require qualitative interpretations on the part of U.S. importers and U.S. Customs and Border Protection officials.

Gold Bug states that quotas increase production costs because of the additional direct cost to obtain quota as well as additional paperwork requirements, delays, and uncertainty with respect to the supply pipeline. Gold Bug, along with other importers, is moving some production from quota countries to higher-cost non-quota countries, and the costs are ultimately passed on to the U.S. consumer. Gold Bug does not expect to shift production to U.S. manufacturers because they cannot supply products to Gold Bug’s specifications.

## **Kentucky Derby Hosiery<sup>3</sup>**

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Kentucky Derby Hosiery, a hosiery manufacturer based in Hopkinsville, Kentucky, states that it has heavily invested in modern plant and equipment to produce baby socks and baby booties. It asserts that "seamless toe" technology is enabling the firm to compete on non-embellished baby socks. Kentucky Derby notes that the labor content for embellished socks is much higher than for plain socks.

Kentucky Derby lists several key points with respect to the proposed exemption from the China safeguard on baby socks and booties. Kentucky Derby states that retail customers make their purchasing decisions based on the total product line being offered and that the advantage goes to the supplier that can offer embellished socks. Excluding embellished socks from the quota would ensure that all sales will go to the suppliers that offer embellished socks – this trend has already been occurring in the U.S. retail market and has led to business losses. Kentucky Derby states that the production of baby socks in the United States is capital intensive as they are made on highly automated and modern knitting machines. The firm states that the new automated technology is threatened by low-cost labor in foreign countries. Sales of the machinery have already begun to decline sharply and future opportunities to automate production will be permanently lost due to competition from countries with low-cost labor if the quota does not remain.

Kentucky Derby also explains that product pricing often changes when embellished baby socks are part of the total product offering because sales prices on the most basic products are often lowered by import sellers to "run the U.S. producers out of business" whereas profits are made on the embellished products. Consequently, "allowing embellished socks to circumvent the safeguard, endangers all products being sold in the baby sock category."

Kentucky Derby notes that socks of all sizes are produced on circular knitting machines (made by sock machine makers) and "that baby booties/socks, whether embellished or not, are made on this machinery." Kentucky Derby adds that "the definition is very clear and is one U.S. Customs can enforce." The optional and other frequently practiced method of making baby socks/booties is to use the "cut and sew" production technique, and socks produced this way are not under safeguard from China. Kentucky Derby notes that it has experienced severe price decreases because of imports from China, especially on embellished socks, even under the safeguard. Consequently, without the safeguard, the market price would decrease even further; most likely, any additional price decrease would totally

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<sup>3</sup> Bill Nichol, Kentucky Derby Hosiery Co., written submission to the Commission, July 11, 2006.

eliminate production in the United States. Kentucky Derby states that neither of the proposed definitions is acceptable, but that if the firm had to recommend one, it would be definition number 1. Kentucky Derby opposes the exclusion of any "circular knit to shape booties/socks on a circular sock machine" from the safeguard and asserts that the circular knit definition has been long standing and should remain.

## **Kellwood Company<sup>4</sup>**

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Kellwood Company (Kellwood) states that it is a \$2.1 billion U.S. marketer and merchandiser of wearing apparel and is the parent company to Gerber Childrenswear of Greenville, South Carolina, a major importer of infant apparel including infant socks and booties. Kellwood states that including infant socks' tariff numbers (category 239) in the adult sock quota established by the U.S.-China Memorandum of Understanding (MOU) surprised the apparel industry. It claims that no previous safeguard petition had included baby socks.

Kellwood notes that foreign infant sock producers that are WTO members had not required quota allocations after the phase out of the entire infant apparel category 239 in 1998 and there had been no breakout for "baby socks and booties" until 2004. Kellwood states that the combination of the surprise quota application with no historical precedent of baby sock and bootie quota has left producers without available quota allocations. In addition, Kellwood states that the quota cost is prohibitive.

Kellwood supports proposed definition number 2 because it more clearly identifies the variations that separate socks from booties. Kellwood states that key characteristics such as applied ribbons and heavily embroidered designs preclude wearing the item inside other footwear. Also, circular knit booties with formed-cuff treatment (the fold-over cuff is a double-layer portion) cannot be worn inside a shoe.

Kellwood states that it is not currently sourcing any booties from U.S. factories, nor has it for many years. Kellwood notes that the U.S. sock factory that was owned as a subsidiary of Gerber Childrenswear manufactured only adult apparel items, and that Kellwood no longer owns this factory. Kellwood concludes that the unexpected inclusion of baby socks and baby booties in the quota has caused product delays and significantly increased the cost of the goods. Kellwood believes the breakout and separate definition number 2 would meet the needs of the U.S. sock manufacturers and companies that produce and source a broad range of affordable, quality baby-wear.

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<sup>4</sup> Wendy Wieland Martin, Kellwood Co., written submission to the Commission, July 11, 2006.

## Made in USA Strategies, LLC<sup>5</sup>

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Made in USA Strategies, LLC states that it has been the Washington representative of the Domestic Manufacturers Committee of the Hosiery Association since 2003. The firm expressed support for the creation of separate Harmonized Tariff Schedule (HTS) numbers for infant socks and booties in 2004. It said that it prepared the safeguard petition which led to the imposition of safeguard limits on Chinese socks in October 2004, and on infant socks and booties since January 1, 2006. Made in USA Strategies requested the HTS numbers for infant socks and booties in 2004 because domestic producers of infant socks and booties anticipated difficulty distinguishing between the two items, thereby causing any infant sock limit to be unenforceable by U.S. Customs officials.

Made in USA Strategies asserts that the proposed change to the China sock safeguard limit would create a loophole that would allow products previously counted toward filling the annual safeguard limit to no longer be counted as such, thereby adversely impacting domestic baby sock producers and the entire domestic sock industry. Made in USA Strategies states that the July 8, 2005 petition for a safeguard limit on Chinese socks provides ample evidence of market disruption for domestic sock producers from Chinese sock imports: the very sharp rise in Chinese sock imports during 2001 to 2004 from about 1 million dozen pairs to 56 million dozen pairs, the substantial drop in U.S. sock production from 207 million dozen pairs to 148 million dozen pairs, and the almost 60 percent drop in the average wholesale price of a dozen pairs of socks imported from China between 2001 and April 2005. The petition also lists companies that went out of business, sock facility closings, and significant plant layoffs attributed to market disruption from the sharp rise in low priced Chinese sock imports. Made in USA Strategies claims that China's "export rebates, ...undervalued currency, ...subsidized energy and raw material costs, ...very poor working conditions and extremely low pay all combine with many other factors to create an un-level playing field for U.S. domestic sock producers."

Made in USA Strategies contends that the existing safeguard limit terms for socks contained in the U.S.-China textile agreement are extremely generous and that ample quota is available for importers like Gold Bug to import all the infant socks and booties they require. Made in USA Strategies states that companies like Gold Bug, which design socks and booties and forward their specifications to Chinese manufacturers, are driving the infant sock and booties industry in China. The company also contends that U.S. infant sock and bootie imports appear to be focusing on embellishment to create a loophole for infant booties. Made in USA Strategies expresses concern that creating a new HTS number to carve out goods to meet a certain definition would jeopardize the entire safeguard system. Furthermore, it asserts that U.S. Customs officials would be unable to effectively enforce a new "hair-splitting" definition of infant booties to distinguish them from infant socks.

Made in USA Strategies points out that U.S. baby sock producers, such as Kentucky Derby and Prewett Associated Mills, can and do produce embellished infant socks and booties when needed. The company states that because heavily or lightly embellished infant socks are a like and directly competitive product to non-embellished or lightly embellished infant socks and booties, every pair of imported embellished infant socks and booties that consumers buy replaces the purchase of a pair of domestically produced embellished or non-embellished infant socks and booties. Made in USA Strategies notes a macroeconomic study

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<sup>5</sup> James T. Schollaert, Made in USA Strategies, LLC, written submission to the Commission, July 10, 2006.

by Jacksonville State University that documents the heavy job and income losses, as well as considerable tax revenue losses at the federal, state, and local level, and supply chain industry losses that would result from the loss of sock manufacturing jobs in DeKalb County, Alabama alone. Made in USA Strategies urges that the Commission consider the aforementioned facts and circumstances "in analyzing the economic effects of exempting either of the two proposed definitions of infant socks and booties from the existing China sock safeguard."

## **Paris Accessories, Inc.<sup>6</sup>**

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Paris Accessories, Inc. states that it is an importer and distributor of a wide variety of apparel and apparel accessories including baby booties that are sold principally to national retail chains for low and moderate income consumers. Paris Accessories imports baby booties that are described by Definition Number 2 proposed by USTR, i.e., baby booties that have skid- and kick-proofing properties and/or lace. The company supports adopting this definition.

Paris Accessories states that the economic impact of adopting either of the definitions would be minimal with respect to domestic producers and could have a significant positive impact on importers, retailers, and consumers. Paris Accessories notes that it has purchased most of its baby booties from the People's Republic of China (PRC) because it is the "most efficient and reliable supplier." The recent imposition of quotas by the Memorandum of Understanding with China has required the company to seek alternate suppliers with higher prices (15-20 percent) and longer lead times. Paris Accessories states that it could not shift to domestic suppliers because they cannot produce the product at prices and in quantities required by the firm's customers.

Paris Accessories states that its shift to alternate suppliers has required the company to invest in plant and equipment. Consequently, even if the definitions are adopted, the company will not likely return to purchasing all of its baby booties from China. However, greater access to Chinese production will enable the company to increase its sales of baby booties. Paris Accessories notes that the imposition of a quota on baby booties has had an adverse effect on prices – almost doubling the price – because of the quota charge on socks, currently \$1.60/dozen pairs. Adopting the definitions and eliminating the quota would likely moderate the effect on prices because of increased competition and will enable Paris Accessories to satisfy retailer and consumer demand. Furthermore, because the quota on baby booties has not resulted in a shift to sourcing from domestic producers, it believes that other foreign sources, and not domestic sources, will bear the brunt of allowing sourcing from the PRC to increase.

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<sup>6</sup> John B. Pellegrini, Paris Accessories, Inc., written submission to the Commission, July 7, 2006.

## Prewett Associated Mills<sup>7</sup>

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Prewett Associated Mills (Prewett) states it is one of the top five producers and distributors of socks in the United States. Prewett asserts that pricing pressures have occurred in recent years on all socks, including infant socks. Prewett notes that its infant socks line complements its other sock lines in marketing efforts and allows a more balanced production flow because infant sock sales have a different seasonality than other lines. Prewett states that the current quota on infant socks is meeting its intended objectives: importers are incurring quota costs, which bring their costs closer to domestic costs, and importers must limit what they can source from China to meet their requirements. Prewett notes that the quota level for infant socks and booties is more than triple the level of imports for 2005 and that the Committee for the Implementation of Textile Agreements (CITA) has increased the amount of allowable growth.

Prewett expresses concern that the proposed definitions for socks and booties do not clearly distinguish between the two types of articles and that they leave "much discretion and judgment to the men and women in Customs to decide what can be worn in a shoe and what could not." Prewett states that of the two definitions, definition 1, if it could be enforced, would have a smaller negative impact on domestic sock producers than the more vague definition number 2. Prewett requests that if an exclusion were to be made for booties, the retail package should be labeled as booties and state they are not to be worn inside shoes. Prewett believes that any foot covering made on a circular knitting machine is a sock and should be defined accordingly. Prewett asserts that the method of manufacturing socks (on a circular knitting machine) is the best way to define a bootie that is not a sock, versus a bootie that is just a sock with some ornaments added in the manufacturing process. Prewett concludes that, if a loophole is created in the sock quota with a subjective definition left to the discretion of U.S. Customs officials, negative consequences for domestic manufacturing and the employment of thousands of workers producing domestic booties and infant socks in the United States could result.

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<sup>7</sup> Bobby R. Cole, Prewett Associated Mills, Inc., written submission to the Commission, July 10, 2006.



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## **APPENDIX A**

# **Request letter from the United States Trade Representative**

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NUMBER

2488

EXECUTIVE OFFICE OF THE PRESIDENT  
THE UNITED STATES TRADE REPRESENTATIVE  
WASHINGTON, D.C. 20508

Office of the  
Secretary

The Honorable Stephen Koplan

Chairman  
United States International Trade Commission  
500 E Street, SW  
Washington, DC 20436

MAY 25 2006

Dear Mr. Chairman:

The *Memorandum of Understanding Between the Governments of the United States of America and the People's Republic of China Concerning Trade in Textile and Apparel Products* establishes annual quantitative restraints on imports into the United States of certain textile and apparel products originating in China through 2008. One such quantitative restraint covers category 32/432/632, and includes sublimit on category 332/432/632-part, including baby socks.

Since the conclusion of the *Memorandum*, question has arisen as to whether certain articles presently classified as baby socks and therefore subject to the restraint levels are instead more appropriately classified as footwear articles and therefore not subject to the restraint levels. Currently U.S. Customs and Border Protection classifies goods as socks, in HTS Chapter 61, if they do not have an applied sole, in which case they would be classified as footwear articles in HTS Chapter 64.

Accordingly under the authority delegated to me by the President, I request that the Commission initiate an investigation under 19 U.S.C. 1332 to provide advice on the probable effect of modification to definition of baby socks from the current norm to each of the two enclosed proposals on: U.S. imports from China, total U.S. imports, and on domestic producers of the affected articles. I request that the Commission provide this advice at the earliest possible date, but not later than months following receipt of this letter. The Commission should issue, as soon as possible thereafter, public version of its report with any business confidential information deleted.

The Commission's assistance in this matter is greatly appreciated.

Sincerely



Rob Portman

Attachment

Proposed Definition Number One:

*For purposes of heading 6111 babies' booties are knitted or crocheted foot coverings without an applied sole glued, sewn or otherwise affixed to the upper. These articles have bulky embellishments, such as rattles or other attachments, which preclude wearing inside of footwear*

Proposed Definition Number Two:

*For purposes of heading 6111 babies' booties are knitted or crocheted foot coverings without an applied sole glued, sewn or otherwise affixed to the uppers. These articles have embellishments, such as rattles, lace, appliques, skid-proofing or kick-proofing properties.*

**APPENDIX B**  
***Federal Register* Notice**

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**Roane County**

Bethel Cemetery, Euclid Ave. and Third St.,  
Kingston, 06000547

**Shelby County**

Memphis Queen II Floating Vessel, Foot of  
Monroe at Riverside Dr., Memphis,  
06000550

**TEXAS****Bexar County**

Harrison, John S., House, 14997 Evans Rd.,  
Selma, 06000551

The Comment Period has been waived for  
the following resource:

**MISSOURI****Jackson County**

District III (Boundary Increase), (Armour  
Boulevard MRA) 3424 and 3426 Harrison  
Blvd., Kansas City, 06000544

[FR Doc. E6-8973 Filed 6-8-06; 8:45 am]

BILLING CODE 4312-51-P

**INTERNATIONAL TRADE  
COMMISSION**

[Investigation No. 332-475]

**Probable Effect of Proposed  
Definitions for Certain Baby Socks**

**AGENCY:** United States International  
Trade Commission.

**ACTION:** Institution of investigation and  
request for public comments.

**DATES:** *Effective Date:* June 5, 2006.

**SUMMARY:** Following receipt of a request  
from the United States Trade  
Representative (USTR) on May 26, 2006,  
the Commission instituted investigation  
No. 332-475, Probable Effect of  
Proposed Definitions for Certain Baby  
Socks, under section 332(g) of the Tariff  
Act of 1930 (19 U.S.C. 1332(g)).

**FOR FURTHER INFORMATION CONTACT:**  
Project Leader, Mrs. Jackie Jones, Office  
of Industries (202-205-3466;  
[jackie.jones@usitc.gov](mailto:jackie.jones@usitc.gov)). For information  
on legal aspects, contact William  
Gearhart of the Office of the General  
Counsel (202-205-3091;  
[william.gearhart@usitc.gov](mailto:william.gearhart@usitc.gov)). The media  
should contact Margaret O'Laughlin,  
Office of External Relations (202-205-  
1819; [margaret.olaughlin@usitc.gov](mailto:margaret.olaughlin@usitc.gov)).

**Background:** In his letter, the USTR  
requested that the Commission provide  
advice as to the probable effect of each  
of two proposed definitions for babies'  
booties on U.S. imports from China, on  
total U.S. imports, and on domestic  
producers of the affected articles. In an  
attachment to the request letter, the  
USTR provided two proposed  
definitions for babies' booties  
classifiable in heading 6111 of the

Harmonized Tariff Schedule of the  
United States (HTS), as follows:

**Proposed Definition Number One**

For purposes of heading 6111, babies'  
booties are knitted or crocheted foot  
coverings without an applied sole glued,  
sewn or otherwise affixed to the upper.  
These articles have bulky  
embellishments, such as rattles or other  
attachments, which preclude wearing  
inside of footwear.

**Proposed Definition Number Two**

For purposes of heading 6111, babies'  
booties are knitted or crocheted foot  
coverings without an applied sole glued,  
sewn or otherwise affixed to the uppers.  
These articles have embellishments,  
such as rattles, lace, appliqués, skid-  
proofing or kick-proofing properties.  
As requested, the Commission will  
submit its advice to the USTR at the  
earliest possible date, but not later than  
3 months following receipt of the letter,  
or by August 25, 2006. Also as  
requested, the Commission will issue, as  
soon as possible thereafter, a public  
version of the report with any business  
confidential information deleted.

In the request letter, the USTR  
referred to the *Memorandum of  
Understanding Between the  
Governments of the United States of  
America and the People's Republic of  
China Concerning Trade in Textile and  
Apparel Products* ("MOU"), which  
entered into force on January 1, 2006,  
and established annual quantitative  
restraints on U.S. imports of certain  
textile and apparel products originating  
in China through 2008. In the request  
letter, the USTR stated that one such  
quantitative restraint covers category  
332/432/632 (hosiery of cotton wool,  
and manmade fibers), and includes a  
sublimit on category 332/432/632—part.  
According to the request letter and the  
MOU, the quantitative restraint and  
sublimit on hosiery from China also  
cover the babies' socks and booties of  
heading 6111 (category 239).

**Written Submissions:** No public  
hearing is planned. However, interested  
parties are invited to submit written  
statements concerning the matters to be  
addressed by the Commission in its  
report on this investigation.  
Submissions should be addressed to the  
Secretary, United States International  
Trade Commission, 500 E Street SW.,  
Washington, DC 20436. To be assured of  
consideration by the Commission,  
written statements related to the  
Commission's report should be  
submitted to the Commission at the  
earliest practical date and should be  
received no later than 5:15 p.m., July 11,  
2006.

All written submissions must conform  
with the provisions of section 201.8 of  
the *Commission's Rules of Practice and  
Procedure* (19 CFR 201.8). Section 201.8  
of the rules requires that a signed  
original (or copy designated as an  
original) and fourteen (14) copies of  
each document be filed. In the event  
that confidential treatment of the  
document is requested, at least four (4)  
additional copies must be filed, in  
which the confidential business  
information must be deleted (see the  
following paragraph for further  
information regarding confidential  
business information). The  
Commission's rules do not authorize  
filing submissions with the Secretary by  
facsimile or electronic means, except to  
the extent permitted by section 201.8 of  
the rules (see Handbook for Electronic  
Filing Procedures, [ftp://ftp.usitc.gov/  
pub/reports/  
electronic\\_filing\\_handbook.pdf](ftp://ftp.usitc.gov/pub/reports/electronic_filing_handbook.pdf)).  
Persons with questions regarding  
electronic filing should contact the  
Secretary (202-205-2000 or  
[edis@usitc.gov](mailto:edis@usitc.gov)).

Any submissions that contain  
confidential business information must  
also conform with the requirements of  
section 201.6 of the *Commission's Rules  
of Practice and Procedure* (19 CFR  
201.6). Section 201.6 of the rules  
requires that the cover of the document  
and the individual pages be clearly  
marked as to whether they are the  
"confidential" or "nonconfidential"  
version, and that the confidential  
business information be clearly  
identified by means of brackets. All  
written submissions, except for  
confidential business information, will  
be made available in the Office of the  
Secretary to the Commission for  
inspection by interested parties.

The Commission may include some or  
all of the confidential business  
information submitted in the course of  
this investigation in the report it sends  
to the USTR and the President. As  
requested by the USTR, the Commission  
will publish a public version of the  
report. However, in the public version,  
the Commission will not publish  
confidential business information in a  
manner that would reveal the operations  
of the firm supplying the information.

The public record for this  
investigation may be viewed on the  
Commission's electronic docket (EDIS)  
<http://edis.usitc.gov>. Hearing impaired  
individuals may obtain information on  
this matter by contacting the  
Commission's TDD terminal on 202-  
205-1810. Persons with mobility  
impairments who will need special  
assistance in gaining access to the

Commission should contact the Office of the Secretary at 202-205-2000.

Issued: June 6, 2006.

By order of the Commission.

**Marilyn R. Abbott,**

*Secretary to the Commission.*

[FR Doc. E6-9029 Filed 6-8-06; 8:45 am]

BILLING CODE 7020-02-P

## INTERNATIONAL TRADE COMMISSION

[Inv. No. 337-TA-572]

### In the Matter of Certain Insulin Delivery Devices, Including Cartridges Having Adaptor Tops, and Components Thereof; Notice of Investigation

**AGENCY:** U.S. International Trade Commission.

**ACTION:** Institution of investigation pursuant to 19 U.S.C. 1337.

**SUMMARY:** Notice is hereby given that a complaint was filed with the U.S. International Trade Commission on May 8, 2006, under section 337 of the Tariff Act of 1930, as amended, 19 U.S.C. 1337, on behalf of Novo Nordisk A/S, Novo Nordisk Inc., and Novo Nordisk Pharmaceuticals Industries, Inc. Supplemental letters were filed on May 11 and 23, 2006. The complaint, as supplemented, alleges violations of section 337 in the importation into the United States, the sale for importation, and the sale within the United States after importation of certain insulin delivery devices, including cartridges having adaptor tops, and components thereof, by reason of infringement of claims 1-3, 5-7, 11, 18, and 19 of U.S. Patent 5,693,027. The complaint further alleges that an industry in the United States exists or is in the process of being established as required by subsection (a)(2) of section 337.

The complainant requests that the Commission institute an investigation and, after the investigation, issue a permanent exclusion order and a permanent cease and desist order.

**ADDRESSES:** The complaint, except for any confidential information contained therein, is available for inspection during official business hours (8:45 a.m. to 5:15 p.m.) in the Office of the Secretary, U.S. International Trade Commission, 500 E Street, SW., Room 112, Washington, DC 20436, telephone 202-205-2000. Hearing impaired individuals are advised that information on this matter can be obtained by contacting the Commission's TDD terminal on 202-205-1810. Persons with mobility impairments who will need special assistance in gaining access

to the Commission should contact the Office of the Secretary at 202-205-2000. General information concerning the Commission may also be obtained by accessing its internet server at <http://www.usitc.gov>. The public record for this investigation may be viewed on the Commission's electronic docket (EDIS) at <http://edis.usitc.gov>.

**FOR FURTHER INFORMATION CONTACT:** Juan Cockburn, Esq., Office of Unfair Import Investigations, U.S. International Trade Commission, telephone 202-205-2572.

**Authority:** The authority for institution of this investigation is contained in section 337 of the Tariff Act of 1930, as amended, and in section 210.10 of the Commission's Rules of Practice and Procedure, 19 CFR 210.10 (2005).

**Scope of Investigation:** Having considered the complaint, the U.S. International Trade Commission, on June 5, 2006, ordered that—

(1) Pursuant to subsection (b) of section 337 of the Tariff Act of 1930, as amended, an investigation be instituted to determine whether there is a violation of subsection (a)(1)(B) of section 337 in the importation into the United States, the sale for importation, or the sale within the United States after importation of certain insulin delivery devices, including cartridges having adaptor tops, or components thereof, by reason of infringement of claims 1-3, 5-7, 11, 18, or 19 of U.S. Patent 5,693,027, and whether an industry in the United States exists or is in the process of being established as required by subsection (a)(2) of section 337.

(2) For the purpose of the investigation so instituted, the following are hereby named as parties upon which this notice of investigation shall be served:

(a) The complainants are—  
Novo Nordisk A/S, Novo Alle, 2880 Bagsvaerd, Denmark.

Novo Nordisk Inc., 100 College Road West, Princeton, NJ 08540.

Novo Nordisk Pharmaceuticals Industries, Inc., 3612 Powhatan Road, Clayton, NC 27527.

(b) The respondents are the following entities alleged to be in violation of section 337, and are the parties upon which the complaint is to be served:

Sanofi-Aventis Deutschland GmbH, Industriepark Hoechst, D-65926, Frankfurt am Main, Germany.

Sanofi-Aventis, 174/180 Avenue de France, Paris, Cedex 75013 France.

Aventis Pharmaceuticals, Inc., 300 Somerset Corporate Blvd., Bridgewater, NJ 08807.

(c) The Commission investigative attorney, party to this investigation, is Juan Cockburn, Esq., Office of Unfair

Import Investigations, U.S. International Trade Commission, 500 E Street, SW., Suite 401, Washington, DC 20436; and

(3) For the investigation so instituted, the Honorable Sidney Harris is designated as the presiding administrative law judge.

Responses to the complaint and the notice of investigation must be submitted by the named respondents in accordance with section 210.13 of the Commission's Rules of Practice and Procedure, 19 CFR 210.13. Pursuant to 19 CFR 201.16(d) and 210.13(a), such responses will be considered by the Commission if received not later than 20 days after the date of service by the Commission of the complaint and the notice of investigation. Extensions of time for submitting responses to the complaint and the notice of investigation will not be granted unless good cause therefor is shown.

Failure of a respondent to file a timely response to each allegation in the complaint and in this notice may be deemed to constitute a waiver of the right to appear and contest the allegations of the complaint and this notice, and to authorize the administrative law judge and the Commission, without further notice to the respondent, to find the facts to be as alleged in the complaint and this notice and to enter an initial determination and a final determination containing such findings, and may result in the issuance of a limited exclusion order or cease and desist order or both directed against the respondent.

By order of the Commission.

Issued: June 6, 2006.

**Marilyn R. Abbott,**

*Secretary to the Commission.*

[FR Doc. E6-9003 Filed 6-8-06; 8:45 am]

BILLING CODE 7020-02-P

## INTERNATIONAL TRADE COMMISSION

[Investigation Nos. 701-TA-253 and 731-TA-132, 252, 271, 273, 409, 410, 532-534, and 536 (Second Review)]

### Certain Pipe and Tube From Argentina, Brazil, India, Korea, Mexico, Taiwan, Thailand, and Turkey

**AGENCY:** United States International Trade Commission.

**ACTION:** Revised schedule for the subject reviews.

**DATES:** *Effective Date:* June 2, 2006.

**FOR FURTHER INFORMATION CONTACT:** Russell Duncan (202-708-4727), Office of Investigations, U.S. International Trade Commission, 500 E Street, SW.,

**APPENDIX C**  
**Harmonized Tariff Schedule of the United States: Relevant Pages with Statistical Reporting Numbers for Baby Socks and Booties**

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**Harmonized Tariff Schedule of the United States (2006) -- Supplement 1 (Rev. 1)**  
Annotated for Statistical Reporting Purposes

XI  
61-53

Heading/ Subheading	Stat. Suf- fix	Article Description	Unit of Quantity	Rates of Duty		
				1		2
				General	Special	
6111 (con.)		Babies' garments and clothing accessories, knitted or crocheted (con.):				
6111.20 (con.)		Of cotton (con.):				
6111.20.50	00	Other:				
		Trousers, breeches and shorts, except those imported as parts of sets (239) .....	doz. <u>kg</u>	14.9%	Free (BH,CA, CL,IL,JO, MX,P,SG) 5.5% (AU) See 9912.61.65, 9912.61.69 (MA)	90%
6111.20.60		Other .....		8.1%	Free (AU,BH,CA, CL,IL,JO, MX,P,SG) See 9912.61.65, 9912.61.70 (MA)	90%
	10	Sunsuits, washsuits and similar apparel (239) .....	doz. <u>kg</u>			
	20	Sets (239) .....	doz. <u>kg</u>			
	30	Other:				
		Imported as parts of sets (239) .....	doz. <u>kg</u>			
	50	Babies' socks and booties (239) .....	doz.pr. <u>kg</u>			
	70	Other (239) .....	doz. <u>kg</u>			

**Harmonized Tariff Schedule of the United States (2006) -- Supplement 1 (Rev. 1)**

Annotated for Statistical Reporting Purposes

XI  
61-54

Heading/ Subheading	Stat. Suf- fix	Article Description	Unit of Quantity	Rates of Duty		
				1		2
				General	Special	
6111 (con.)		Babies' garments and clothing accessories, knitted or crocheted (con.):				
6111.30		Of synthetic fibers:				
6111.30.10	00	Trousers, breeches and shorts, except those imported as parts of sets (239) .....	doz. .... <u>kg</u>	28.2%	Free (BH,CA,CL,IL, MX,P,SG) 5.5% (AU) 11.5% (JO) See 9912.61.75-9912.61.76 (MA)	90%
6111.30.20	00	Blouses and shirts, except those imported as parts of sets (239) .....	doz. .... <u>kg</u>	32%	Free (BH,CA,CL,IL, MX,P,SG) 5.5% (AU) 13.2% (JO) See 9912.61.75, 9912.61.77 (MA)	90%
6111.30.30	00	T-shirts, singlets and similar garments, except those imported as parts of sets (239) .....	doz. .... <u>kg</u>	32%	Free (BH,CA,CL,IL, MX,P,SG) 5.5% (AU) 13.2% (JO) See 9912.61.75, 9912.61.77 (MA)	90%
6111.30.40	00	Sweaters, pullovers, sweatshirts, waistcoats (vests) and similar articles, except those imported as parts of sets (239) .....	doz. .... <u>kg</u>	30%	Free (BH,CA,CL,IL, MX,P,SG) 5.5% (AU) 12.7% (JO) See 9912.61.75, 9912.61.78 (MA)	90%
6111.30.50		Other .....		16%	Free (AU,BH,CA, CL,IL,JO, MX,P,SG) See 9912.61.75, 9912.61.79 (MA)	90%
	10	Sunsuits, washsuits and similar apparel (239) .	doz. <u>kg</u>			
	15	Blanket sleepers (239) .....	doz. <u>kg</u>			
	20	Sets (239) .....	doz. <u>kg</u>			
	30	Other: Imported as parts of sets (239) .....	doz. <u>kg</u>			
	50	Babies' socks and booties (239) .....	doz.pr. <u>kg</u>			
	70	Other (239) .....	doz. <u>kg</u>			

# Harmonized Tariff Schedule of the United States (2006) -- Supplement 1 (Rev. 1)

Annotated for Statistical Reporting Purposes

XI  
61-55

Heading/ Subheading	Stat. Suf- fix	Article Description	Unit of Quantity	Rates of Duty		
				1		2
				General	Special	
6111 (con.)		Babies' garments and clothing accessories, knitted or crocheted (con.):				
6111.90		Of other textile materials:				
6111.90.10	00	Of artificial fibers: Trousers, breeches and shorts, except those imported as parts of sets (239) . . . . .	doz. . . . . <u>kg</u>	14.9%	Free (AU,BH,CA,CL,IL, MX,P,SG) 5.5% (AU) 8.3% (JO) 8.2% (MA)	90%
6111.90.20	00	Blouses and shirts, except those imported as parts of sets (239) . . . . .	doz. . . . . <u>kg</u>	17.3%	Free (BH,CA,CL,IL, MX,P,SG) 5.5% (AU) 9.5% (MA) 9.6% (JO)	90%
6111.90.30	00	T-shirts, singlets and similar garments, except those imported as parts of sets (239) . . . . .	doz. . . . . <u>kg</u>	Free		90%
6111.90.40	00	Sweaters, pullovers, sweatshirts, waistcoats (vests) and similar articles, except those imported as parts of sets (239) . . . . .	doz. . . . . <u>kg</u>	26%	Free (BH,CA,CL,IL, MX,P,SG) 5.5% (AU) 11.7% (JO) 13.4% (MA)	90%
6111.90.50		Other . . . . .		14.9%	Free (BH,CA,CL,IL, JO,MX,P,SG) 5.5% (AU) 7.5% (MA)	90%
	10	Sunsuits, playsuits and washsuits (239) . . . . .	doz. <u>kg</u>			
	20	Sets (239) . . . . .	doz. <u>kg</u>			
	30	Other: Imported as parts of sets (239) . . . . .	doz. <u>kg</u>			
	50	Babies' socks and booties (239) . . . . .	doz.pr. <u>kg</u>			
	70	Other (239) . . . . .	doz. <u>kg</u>			
6111.90.70	00	Containing 70 percent or more by weight of silk or silk waste . . . . .	doz. . . . . <u>kg</u>	0.9%	Free (AU,BH,CA,CL,E,IL,J,JO, MX,P,SG) 0.7% (MA)	60%
6111.90.90	00	Other (839) . . . . .	doz. . . . . <u>kg</u>	5.6%	Free (AU,BH,CA,CL,E*,IL,JO, MX,P,SG) 2.8% (MA)	60%